

1 Donna Boris (*Pro Hac Vice*, California SBN 153033)
2 donna@borislaw.com
3 Boris & Associates
4 9107 Wilshire Blvd., Suite 450
5 Beverly Hills, CA 90210
6 (310) 492-5962 ♦ (310) 388-5920 facsimile

7 Kerry P. Faughnan (Nevada SBN 12204)
8 kerry.faughnan@gmail.com
9 Law Offices of Kerry Faughnan
10 P.O. Box 335361
11 North Las Vegas, NV 89033
12 (702) 301-3096 ♦ (702) 331-4222 facsimile

13 Attorneys for Plaintiff
14 SLEP-TONE ENTERTAINMENT CORPORATION

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IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEVADA

13 SLEP-TONE ENTERTAINMENT CORPORATION,
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15 Plaintiff,
16
17 v.
18 ELLIS ISLAND CASINO & BREWERY,
19 et al.,
20
21 Defendants.

CASE NO.: 2:12-CV-00239-KJD-RJJ

PLAINTIFF SLEP-TONE ENTERTAINMENT CORPORATION'S MEMORANDUM OF POINTS AND AUTHORITIES IN OPPOSITION TO MOTION TO DISMISS BY HOT SHOTS BAR AND GRILL, THE PUB, LLC, JOE, DAN, DECATUR RESTAURANT & TAVERN, DDRT, LLC, STARMAKER KARAOKE, DEBBIE HARMS

I. INTRODUCTION

Counterfeits of Plaintiff's registered trademarks are being used in connection with pirated copies of its karaoke tracks which the Hot Shots Defendants¹ use to produce karaoke shows in eating and drinking establishments. The Hot Shots Defendants

¹ Defendants Hot Shots Bar & Grill, The Pub, LLC, Joe, Dan, Decatur Restaurant & Tavern, DDRT, LLC, Starmaker Karaoke, and Debbie Harm shall be collectively referred to herein as "Hot Shots Defendants"

1 attempt to direct the court's attention away from the Complaint's well-pled allegations of
2 their infringing conduct and unfair competition by suggesting that the purpose of
3 Plaintiff's litigation is to "coerc[e] settlements rather than protecting legitimate intellectual
4 property rights." Although they suggest that Plaintiff has not filed this action to protect
5 its legitimate intellectual property rights, the Hot Shots Defendants do not actually
6 challenge the legitimacy of Plaintiff's intellectual property rights in its registered
7 trademarks. As "evidence" for their absurd contention, the Hot Shot Defendants contend
8 that "none of Slep-Tone's lawsuits have proceeded to trial and few have proceeded past
9 the initial pleading stage," ignoring the obvious explanation for the high rate of settlement
10 is that defendants in other litigation brought by Slep-Tone, recognizing the validity of
11 Plaintiff's claims, have chosen to resolve the claims early against them rather than risk
12 much higher judgments if the actions proceed to trial.

13 As set forth below, the Complaint states claims for trademark infringement
14 pursuant to 15 U.S.C. § 1114, trademark counterfeiting and for Lanham Act unfair
15 competition, U.S.C. § 1125. Accordingly, the Hot Shots Defendants' motion to dismiss
16 must be denied.

17 **II. FACTUAL SUMMARY**

18 Plaintiff is the manufacturer and distributor of karaoke accompaniment tracks sold
19 under the trademark "Sound Choice" and marked with the Sound Choice display
20 trademark. Complaint, ¶ 47. Plaintiff is the registered owner of the Sound Choice
21 trademark and its associated display trademark. Complaint ¶¶ 95-97. 60.

22 Plaintiff's karaoke tracks are manufactured and sold on karaoke compact disk
23 plus graphics ("CDG") or MP3 plus graphics recordings which contain re-created
24 arrangements of popular songs for use as "accompaniment tracks" so that a karaoke
25 participant can sing along, as though he or she were the lead singer. Complaint ¶ 60.
26 The "graphics" portion of a karaoke recording refers to the encoding of the recording with
27 data to provide a contemporaneous video display of the lyrics to the song, in order to aid
28 the performer. Complaint ¶ 61. This graphics data is also utilized to mark the

1 accompaniment tracks with the Sound Choice trademarks and to cause the Sound
2 Choice trademarks to be displayed upon playback. Complaint ¶ 62.

3 Plaintiff's original materials have been copied from Plaintiff's original, authentic
4 compact discs to computer hard drives or other media, an activity known as "media-
5 shifting." Complaint ¶ 67. Often media-shifting also involves converting the compact disc
6 files to a different format, such as from CD+G format to MP3G format or WAV+G format;
7 this is referred to as "format-shifting." Complaint ¶ 68. Plaintiff has never authorized
8 media-shifting or format-shifting of its accompaniment tracks for any commercial
9 purpose. Complaint ¶ 71.

10 Each of the Hot Shots Defendants has used counterfeit copies of Plaintiff's tracks
11 in connection with karaoke entertainment shows at bars and restaurants owned and
12 operated by the Defendant Owners. Complaint ¶¶ 101, 147, 152. While Plaintiff does
13 tolerate media-shifted and format-shifted copies under very specific conditions
14 (Complaint ¶¶ 71-72), each defendant, including the Hot Shot Defendants, used *copies*
15 of Plaintiff's karaoke tracks marked with *counterfeit copies* [not Plaintiff's *authentic*
16 trademarks as contended by Defendants]² of Plaintiff's registered trademarks which do
17 not come within the conditions of tolerance. Complaint ¶¶ 74-75. A karaoke
18 accompaniment track that exists outside the conditions of tolerance described above
19 and that has been marked with SLEP-TONE's federally registered trademarks is a
20 counterfeit. Complaint ¶ 76. Thus, the copies used by the Hot Shots Defendants are
21 counterfeits.

22 III. LEGAL ARGUMENT

23 A. Legal Standard

24 A motion to dismiss for failure to state a claim is disfavored and rarely granted.
25 *Gilligan v. Jamco Dev. Corp.* (9th Cir. 1997) 108 F.3d 246, 248-249. The Court must
26 accept all well-pleaded factual allegations as true, and must construe the facts alleged
27

28 ² The Hot Shots Defendant's contention that they used Plaintiff's authentic marks on Plaintiff's tracks rather than counterfeit copies of Plaintiff's tracks as alleged in the Complaint may not be considered in ruling on this motion to dismiss for failure to state a claim.

1 in the complaint in the light most favorable to the plaintiff. See *Shwartz v. United States*
2 (9th Cir. 2000) 234 F.3d 48, 435.

3 Pursuant to Fed.R.Civ.P. 8, the complaint need only contain “a short and plain
4 statement of the claim showing that the pleader is entitled to relief.” Rule 8 does not
5 require detailed factual allegations. *Ashcroft v. Iqbal* (2009) 556 U.S. 662, 129 S.Ct.
6 1937, 1949 (citing *Bell Atl. Corp. V. Twombly* (2007) 550 U.S. 544, 555. Analyzing
7 Plaintiff’s *entire* Complaint in light of these standards, it is clear that Plaintiff’s Complaint
8 states a cause of action.

9 The Hot Shots Defendants’ contention that the Complaint fails to state a claim
10 because it improperly lumps the actions into mass allegations against the collective
11 Defendants is without merit. The Complaint contains background facts which are
12 common to all defendants which explains how Plaintiff’s Marks are displayed in
13 conjunction with the playback of its karaoke tracks, how counterfeit copies of its tracks
14 are made and the factual basis upon which Plaintiff contends that the tracks are
15 counterfeit. See Complaint, ¶¶ 61-62, 66-77. Individual allegations are then made
16 regarding the use by each of the Hot Shots Defendants of counterfeit copies of Plaintiff’s
17 karaoke tracks during karaoke shows at eating and drinking establishments. Complaint,
18 ¶¶ 101, 147, 152, 153.

19 Unlike the defendants in *Magulat v. Samples* case cited by the Hot Shots
20 Defendants in which the court stated that the allegations of the complaint made “no
21 distinction among the fourteen defendants charged, though geographic and temporal
22 realities make plain that all defendants could not have participated in every act
23 complained of,” in the instant case, the temporal and geographic realities do not
24 preclude the possibility (and indeed the actuality) that each of the defendants used
25 counterfeit copies tracks containing Plaintiff’s Marks without right or license as alleged
26 in the Complaint. *Id.* (11th Cir. 2001) 256 F.3d 1282, 1284. Thus, the allegations of the
27 Complaint have been plead with sufficient specificity.

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1 **B. Plaintiff Has Stated Claims For Trademark Infringement**
2 **Against The Hot Shots Defendants.**

3 **1. Direct Trademark Infringement**

4 To prevail upon a claim for direct trademark infringement, “the moving party must
5 establish (1) ownership of the trademark at issue; (2) use by defendant, without
6 authorization, of a copy, reproduction, counterfeit or colorable imitation of the moving
7 party’s mark in connection with the sale, distribution or advertising of goods and services
8 and (3) that defendant’s use of the mark is likely to cause confusion, to cause mistake
9 or to deceive.” *Toho Co., Ltd. v. William Morrow and Company, Inc.* (C.D. Cal. 1998) 33
10 F.Supp.2d 1206, 1210 (citing 15 U.S.C. § 1114(a); *E & J Gallo Winery v. Gallo Cattle*
11 *Co.* (9th Cir. 1992) 967 F.2d 1280, 1288, no. 2.

12 Contrary to the selective reading of the complaint by the Hot Shots Defendants,
13 it is clear that Plaintiff has indeed stated a claim for direct infringement. The Complaint
14 alleges facts to establish each of the three elements with regard to *each* of the Hot Shots
15 Defendants. Relevant allegations establishing each element of direct infringement are
16 set forth below:

17 (1) *Ownership of the trademark at issue:*

18 Plaintiff has alleged that it is the owner of the trademark “Sound Choice” and the
19 display trademark for Sound Choice. Complaint ¶¶ 95,96.

20 (2) *Use by defendant, without authorization, of a copy, reproduction,*
21 *counterfeit or colorable imitation of the moving party’s mark in connection*
with the sale, distribution or advertising of goods and services.

22 Plaintiff has alleged that each of the Owner Defendants “operate a karaoke
23 system to produce a karaoke show at their eating and drinking establishment in which
24 counterfeit copies of Slep-Tone’s accompaniment tracks were observed being used.”

25 Complaint ¶¶ 101, 152.³ Plaintiff has also alleged that each of the KJ Defendants “were
26 observed operating a karaoke system to produce multiple karaoke shows at multiple
27 venues in this State in which counterfeit copies of SLEP-TONE accompaniment tracks

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³ Detailed facts identifying pirated/counterfeit copies are set forth in the complaint at paragraphs 66-77.

1 were being used.” Complaint ¶ 147. See also, Complaint ¶¶ 74-76 alleging that *each*
2 defendant has used counterfeit copies of karaoke tracks marked with the Sound Choice
3 Marks.⁴

4 Plaintiff has alleged that in connection with the karaoke shows at their
5 bar/restaurant, **each Owner Defendant “repeatedly displayed the Sound Choice**
6 **Marks without right or license.”** Complaint ¶¶ 101, 152. Plaintiff made similar
7 allegations regarding the KJ Defendants. Complaint, ¶148.

8 The graphics portion of karaoke tracks produced by Plaintiff marks the tracks with
9 the SOUND CHOICE trademarks and causes the Marks to be displayed upon playback.
10 Complaint ¶¶ 61-62. Because the tracks used by the Hot Shots Defendants are
11 counterfeit (Complaint ¶¶ 101, 153), the display of the Sound Choice Marks is without
12 right or license.

13 These very detailed and specific factual allegations of use of counterfeit copies
14 of Plaintiff’s karaoke accompaniment tracks by each of the Owner Defendants in
15 connection with a karaoke show at their eating and drinking establishment, and each of
16 the KJ Defendants at multiple karaoke shows at multiple venues, resulting in the
17 repeated unauthorized display the SOUND CHOICE Marks, are sufficient to allege *use*
18 of Plaintiff’s Marks by Defendants.

19 (3) *Defendant’s use of the mark is likely to cause confusion, to cause*
20 *mistake or to deceive.*

21 Plaintiff has alleged that the Hot Shots Defendants used counterfeits. Complaint
22 ¶¶ 101, 147, 153. Plaintiff has also alleged that “counterfeits include SLEP-TONE’s
23 registered trademarks, such that *to the consumers of the illegitimate KJ’s services, the*
24 *counterfeits are virtually indistinguishable from genuine Sound Choice materials.”*
25 Complaint ¶ 82 (emphasis added).

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28 ⁴ “Media-shifting” and “format-shifting” and their relationship to counterfeit copies are described in the allegations set forth in the
Complaint at ¶¶ 67-76.

1 Plaintiff has also alleged that “The *Defendants’ use of the Sound Choice Marks*
2 *is likely to cause confusion, or to cause mistake, or to deceive the Defendants’*
3 *customers and patrons* into believing that the Defendants’ services are being provided
4 with the authorization of the Plaintiff and that the Defendants’ music libraries contain
5 bona fide Sound Choice accompaniment tracks.” Complaint ¶ 241 (emphasis added).
6 See also paragraph 247 of the Complaint in which Plaintiff alleges that the “display of
7 the Sound Choice Marks is *likely to cause confusion, or to cause mistake, or to deceive*
8 *those present during the display, in that those present are likely to be deceived* into
9 believing, falsely, that the works being performed were sold by SLEP-TONE and
10 purchased by the Defendants.” (Emphasis added). These allegations, read in
11 conjunction with the factual allegations which establish that the copies of the karaoke
12 tracks used by each and every defendant were *counterfeit copies* is sufficient to
13 establish likelihood of confusion.

14 Contrary to the contentions of the Hot Shots Defendants, the display of *counterfeit*
15 *copies* of Plaintiff’s Marks in conjunction with the playback of the *counterfeit copies* of
16 karaoke tracks *is likely to “confuse the viewer as to the source, sponsorship, affiliation*
17 *or approval”* by Plaintiff and to “cause confusion and deception in the viewer’s mind,”
18 causing customers to wrongfully conclude that the counterfeit marks and counterfeit
19 copies of Plaintiff’s karaoke tracks are genuine and authentic Sound Choice Marks and
20 karaoke tracks.

21 The cases cited by the Hot Shots Defendants regarding likelihood of confusion
22 are inapposite as those cases involved different products whereas the instant case
23 involves *counterfeit* marks displayed with *counterfeit* copies of the same product that
24 Plaintiff manufactures and distributes, i.e., karaoke accompaniment tracks.

25 (a) Agency Allegations

26 The Hot Shots Defendants attempt to assert that the KJs were independent
27 contractors (although no such allegations are contained in the Complaint). Since this is

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1 a motion to dismiss based on a failure to state a claim, the defendants may not dispute
2 the facts of the complaint.

3 The Hot Shots Defendants apparently mistakenly believe that if the KJs are later
4 held to be independent contractors, that determination will preclude liability on the part
5 of the Owner Defendants. However, independent contractors may nonetheless act as
6 agents for the persons for whom they perform work. Thus, any possible independent
7 contractor status of the Defendant KJs does not insulate the Owner KJs from liability.

8 It is clear that the KJs were acting as the agents (and possibly employees
9 notwithstanding the label of "independent contractor" which *might* have been assigned
10 to *some* KJs) of the Owner Defendants. Consequently, the Owner Defendants are liable
11 for the actions taken by the agent KJs in providing karaoke entertainment at the behest
12 of the Owner Venues and for the benefit of the Owner Venues. Plaintiff has alleged
13 sufficient allegations regarding a principal-agent relationship between the Owner
14 Defendants and the KJ Defendants. Plaintiff has alleged that:

- 15 * the Owner Defendants operate eating and drinking establishments at which
16 karaoke entertainment is provided (Complaint ¶¶ 101,153);
- 17 * karaoke entertainment is provided as part of, and/or in conjunction with, the
18 commercial enterprise of those persons and entities named herein who own
19 and/or operate eating and drinking establishment(s) (Complaint ¶ 56);
- 20 * the Owner Defendants each "operate a karaoke system to produce a karaoke
21 show at their eating and drinking establishment in which counterfeit copies of
22 SLEP-TONE's "accompaniment tracks were observed being used" and they
23 each "repeatedly displayed the Sound Choice Marks without right or license."
24 (Complaint ¶¶ 101, 153).
- 25 * The KJ Defendants each "were observed operating a karaoke system to
26 produce multiple karaoke shows at multiple venues in this State in which
27 counterfeit copies of SLEP-TONE accompaniment tracks were being used."
28 Complaint ¶ 147. See also, Complaint ¶¶ 74-76 alleging that *each* defendant

1 has used counterfeit copies of karaoke tracks marked with the Sound Choice
2 Marks.

3 Each of the Owner Defendants are business entities rather than individuals. As
4 such they can only “use” and “operate” karaoke equipment which displays the counterfeit
5 Sound Choice Marks without right or license through the actions of their agents, the KJs.

6 Even if the Hot Shots Defendants are able to later produce a contract with the KJs
7 which states that the KJs are independent contractors and not agents of the Owner
8 Defendants, however, an agency relationship may nevertheless be found by the trier of
9 fact. Even a “clause negating agency in a written contract is not controlling.” *Shaw v.*
10 *Delta Airlines* (D. Nev. 1992) 798 F.Supp.1453, 1457 (citations omitted). “[T]he trier of
11 fact must examine the facts surrounding the relationship to see if a true principal-agent
12 relationship existed.” *Id.*

13 Moreover, even assuming *arguendo* that such an allegation had been contained
14 in the Complaint, it nevertheless would not insulate the Owner Defendants from liability.
15 If a trier of fact finds that despite the Owner Defendants’ classification of the KJs as
16 independent contractors, the KJs were acting as their agents in providing the karaoke
17 services for the patrons of the Owner Defendants, the Owner Defendants will be liable
18 for the trademark infringement of the KJs committed within the course and scope of the
19 authority of the KJs to provide karaoke entertainment.

20 It is well established in Nevada that a “principal is bound by the acts of its agent
21 while acting in the course of his or her employment, and a principal is liable for those
22 acts within the scope of the agent’s authority.” *Id.* citing *Nevada Nat’l Bank v. Gold Star*
23 *Meat Co.*, (1973) 89 Nev. 427, 429. When a complaint’s allegations are capable of
24 more than one inference, the court must adopt whichever inference supports a valid
25 claim. *Columbia Natural Resources, Inc. v. Tatum* (6th Cir. 1995) 58 F.3d 1101, 1109;
26 *Hamilton v. Palm* (8th Cir. 2010) 621 F3d 816, 819 [complaint raised plausible inference
27 of both employee and independent contractor status]. Plaintiff has alleged sufficient facts
28 to draw the reasonable inference that the KJs were acting as the agents of the Owner

1 Defendants when they operated karaoke systems at the establishments owned and
2 operated by the Owner Defendants in which counterfeit copies of Plaintiff's Marks were
3 used, resulting in the display of Plaintiff's Marks without right or license.

4 (b) Plaintiff's Marks Were Used In Commerce By The Hot
5 Shots Defendants Without Right or License.

6 The Hot Shots Defendants contend that Plaintiff has not made any allegations
7 that the Hot Shots Defendants used Plaintiff's Marks in commerce. Once again, their
8 contention is without merit. Plaintiff has alleged that its Marks are displayed when
9 counterfeit copies of Plaintiff's karaoke accompaniment tracks are used to produce a
10 karaoke show at each of the Owner Defendants' bar/restaurant. Plaintiff alleges,
11 "Karaoke entertainment is provided as a part of, and/or in conjunction with, the
12 commercial enterprise of those persons and entities named herein who own and/or
13 operate eating and drinking establishment(s)." Complaint, ¶ 56. Clearly, the use of the
14 counterfeit Marks during the provision of karaoke entertainment at a bar/restaurant in
15 Las Vegas constitutes use in commerce. Plaintiff has likewise alleged that karaoke is
16 a commercial enterprise for KJs.

17 The U.S. Supreme Court has long recognized that the activities of local
18 restaurants constitute interstate commerce. *Katzenbach v. McClung* (1964) 379 U.S.
19 294. Plaintiff's detailed allegations are thus sufficient to state a claim for direct
20 infringement. Thus, the Hot Shots Defendants' motion to dismiss for failure to state a
21 claim must be denied.

22 **2. The Complaint States A Claim For Contributory and Vicarious**
23 **Trademark Infringement.**

24 A defendant may be liable for contributory trademark infringement when it
25 continues to supply an infringing product to an infringer with knowledge that the infringer
26 is mislabeling the particular product supplied. *Perfect 10, Inc. v. Visa Int'l Serv. Ass'n* (9th
27 Cir. 2007) 494 F.3d 788, 807. Contributory liability can be imposed if a defendant is
28 "willfully blind" to ongoing trademark infringement violations. *Fonovisa, Inc. v. Cherry*
Auction, Inc. (9th Cir. 1996) 76 F.3d 259, 265. This is based on the principle that "a

1 company 'is responsible for the torts of those it permits on its premises 'knowing or
2 having reason to know that the other is acting or will act tortiously.'" *Fonovisa*, 76 F.3d
3 at 265 quoting Restatement (Second) of Torts § 877(c) & cmt. d (1979).

4 (a) *Willful Blindness Has Been Sufficiently Alleged.*

5 Plaintiff has alleged that the defendants *knowingly benefit* from the pirating of
6 Plaintiff's karaoke discs (Complaint ¶ 232), that the piracy of its discs is widespread
7 (Complaint ¶¶ 51-53, 81, 83-85), that the venues operated by the Owner Defendants
8 "can enjoy significant savings by turning a blind eye to the actions of the illegitimate KJs
9 they hire," (Complaint ¶ 93), and that the Owner Defendants' bar/restaurants become
10 more profitable as the competition from KJs using pirated copies of Plaintiff's discs
11 pressure legitimate KJs to accept lower compensation. (Complaint ¶ 94). Thus,
12 construing the complaint as a whole in the light most favorable to Plaintiff, willful
13 blindness on the part of Defendants has been sufficiently alleged.

14 (b) *Control Has Been Sufficiently Alleged.*

15 "When the alleged direct infringer supplies a service rather than a product . . . , the
16 court must 'consider the extent of control exercised by the defendant over the third
17 party's means of infringement.'" *Perfect 10, Inc.* 494 F.3d at 807 (citing *Lockheed Martin*
18 *Corp. v. Network Solutions, Inc.* (9th Cir. 1999) 194 F.3d 980, 984). Plaintiff has alleged
19 that each of the Defendants *knowingly* benefit from the infringing conduct of the KJs,
20 and that they have the capacity to control the infringing conduct of the KJs. Complaint
21 ¶ 232.

22 The instant case is substantially different from the contributory and vicarious
23 liability cases cited by the Hot Shots Defendants. It is clear that persons who rent space
24 at swap meets are not agents of the swap meet operator; they do not sell their goods in
25 order to benefit the swap meet operator. Likewise in cases involving credit card
26 companies and internet service providers, the infringing conduct was not done at the
27 behest of, and for the benefit of, those companies. There is no dispute that the parties
28 who engaged in the alleged infringing conduct in those cases were not acting as agents

1 of the swap meet, credit card companies, or internet service providers. Here, since the
2 KJs were acting as agents of the Owner Defendants in providing karaoke entertainment,
3 the Owner Defendants are liable for the infringing conduct under long-standing principles
4 of agency law.

5 Karaoke entertainment is provided for the benefit of the Owner Defendants and
6 their patrons. As the restaurant/bar owners, it can be inferred that the Owner Defendants
7 determine the starting time and ending times for the karaoke entertainment, the number
8 of nights karaoke is provided, and they seek out and authorize KJs to operate the
9 karaoke systems (whether as employees or independent contractors) in their venues for
10 the entertainment of the customers of the Owner Defendants.

11 Karaoke entertainment is provided at the behest of the Owner Defendants. Any
12 advertising that is done is also done by the Owner Defendants in order to entice
13 customers to patronize their bar/restaurants. KJs provide karaoke services on the
14 premises of the Owner Defendants for the express benefit of the Owner Defendants. As
15 the agents of the Owner Defendants, the KJ Defendants are therefore subject to the
16 control by the Owner Defendants. Clearly, the Owner Defendants have ultimate control
17 over the KJ Defendants because the Owner Defendants can simply elect not to utilize
18 the KJ for karaoke shows within their venues, or can elect not to provide karaoke shows
19 at all. Having made the decision to provide karaoke in order to increase venues, the
20 Owner Defendants may not later disclaim responsibility for damages which result from
21 trademark infringement which occurs during the shows. Plaintiff has thus alleged
22 sufficient control by the Owner Defendants to state a claim for contributory infringement,
23 as well as for vicarious liability for trademark infringement.

24 **C. The Complaint States A Claim For Counterfeiting.**

25 The Hot Shots Defendants contend that Plaintiff has not stated a claim for
26 counterfeiting because its Marks are registered for cassette tapes and compact discs
27 containing music and video but Defendants contend that Plaintiff purportedly has alleged

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1 that the counterfeit marks are being used in the provision of karaoke entertainment
2 services. Defendants have misread the Complaint.

3 Plaintiff has alleged that its Marks are displayed upon playback of the karaoke
4 accompaniment tracks. Complaint ¶ 62. Plaintiff has alleged that its Marks were
5 displayed without right or license when Defendants operated a karaoke system in which
6 counterfeit copies of its karaoke tracks were observed being used. Complaint ¶¶ 130-
7 139. Thus, the marks displayed by the Hot Shots Defendants were likewise counterfeit
8 copies of Plaintiff's Marks. The counterfeit marks were used in conjunction with the
9 *counterfeit copies of Plaintiff's karaoke tracks copied from its compact discs*, not any
10 karaoke entertainment *services*. Accordingly, Plaintiff has sufficiently pled a claim for
11 counterfeiting.

12 Defendants have misstated the law regarding the elements of a claim for
13 counterfeiting, incorrectly assuming that the scope of validity and the scope of relief for
14 infringement are coextensive, but they are not. "Although the *validity* of a registered
15 mark extends only to the listed goods or services, an owner's *remedies* against
16 confusion with its valid mark are not so circumscribed. The language of the infringement
17 statute, 15 U.S.C. § 1114, does not limit remedies for allegedly infringing uses to those
18 goods within the ambit of registration." *Applied Information Sciences Corp. v. Ebay, Inc.*
19 (9th Cir. 2007) 511 F.3d 966, 971. Section 1114 provides liability for the
20 unauthorized use of "any reproduction, counterfeit, copy or colorable imitation of a
21 registered mark in connection with the sale, offering for sale, distribution, or advertising
22 of *any goods or services* on or in connection with which such use is likely to cause
23 confusion, or to cause mistake, or to deceive..." (Emphasis added). "Thus a trademark
24 owner may seek redress if another's use of the mark on different goods or services is
25 likely to cause confusion with the owner's use of the mark in connection with its
26 registered goods." *Ebay*, 511 F.3d at 971 (quoting J. Thomas McCarthy on Trademarks
27 and Unfair Competition § (4th ed. 1992); citing Gilson on Trademarks, § 4.03[3][a]
28 (2007)). Accordingly, even if the Plaintiff *had* alleged that Defendants are using

1 counterfeit trademarks in the provision of karaoke entertainment services as Defendants
2 contend, it would nonetheless be sufficient to allege a claim for counterfeiting.

3 **D. The Nominative Fair Use Doctrine Does Not Apply Because**
4 **Defendants Used A Counterfeit Mark With Counterfeit Copies**
5 **of Plaintiff's Karaoke Tracks.**

6 The Hot Shots Defendants contend that their use of Plaintiff's Marks is protected
7 under the nominative fair use doctrine which refers to a defendant's use of a plaintiff's
8 trademark to describe or identify the plaintiff's product. Defendants' reliance on the
9 nominative fair use doctrine is misplaced, however, because the Complaint alleges that
10 *counterfeit copies* of Plaintiff's Marks were displayed upon the playback of the
11 *counterfeit copies* of Plaintiff's karaoke tracks. Since authentic Marks were not displayed
12 in conjunction with original, authentic Sound Choice products, nominative fair use is
13 inapplicable, and the Hot Shots Defendants' infringing conduct is not protected.

14 **E. Plaintiff's Lanham Act Claims Are Not Preempted by the**
15 **Copyright Act Because They Arise under Separate**
16 **Federal Statutes and Are Not Equivalent to Rights**
17 **Granted by the Copyright Act.**

18 Plaintiff has accused Defendants of engaging in infringement of registered
19 trademarks pursuant to 15 U.S.C. § 1114 and unfair competition pursuant to 15 U.S.C.
20 § 1125(a). The acts complained of by Plaintiff are separate and distinct from the acts
21 prohibited by the Copyright Act, and arise under separate federal statutes. Thus, these
22 acts should not be subject to preemption. As stated in the Copyright Act: "Nothing in
23 this title annuls or limits any rights or remedies under any other Federal statute.." 17
24 U.S.C. § 301(d).

25 The principal case cited by the Hot Shots Defendants concerning the relationship
26 between the Copyright and Trademark Acts, *Dastar Corp. v. Twentieth Century Fox Film*
27 *Corp.* 539 U.S. 23, 123 S. Ct. 2041, 156 L. Ed.2d 18 (2003), does not help Defendants'
28 position. In *Dastar*, a series of previously copyrighted television shows had entered the
public domain. In legally preparing derivative works, a producer failed to give credit to

1 the producer of the original television series. The producer of the original series filed suit
2 under Section 43 of the Lanham Act alleging that defendant has engaged in a false
3 designation of origin by failing to give credit. The Supreme Court rejected this contention
4 on the ground that the defendant had the right to produce the derivative work and no
5 confusion of origin occurred because the defendant in fact was the author of the
6 derivative work.

7 *Dastar* is inapposite because the defendant in *Dastar* prepared a lawful derivative
8 work, whereas here Defendants are not authorized to reproduce or distribute Plaintiff's
9 sound recordings. Moreover, Defendants' performance of the sound recordings *while*
10 *displaying counterfeit copies of Plaintiff's trademarks* suggests that Defendants lawfully
11 acquired Plaintiff's sound recordings, which they did not. The resultant likelihood of
12 consumer confusion is not an element of copyright infringement.

13
14 Even so, *Dastar's* central holding supports Plaintiff's position in this action. At
15 issue here is the Hot Shots Defendants' use of physical copies that Plaintiff did not
16 create, but that are nevertheless marked with counterfeit copies of Plaintiff's trademarks.
17 As the *Dastar* Court concluded:

18 In sum, reading the phrase "origin of goods" in the Lanham Act in
19 accordance with the Act's common-law foundations (which were not
20 designed to protect originality or creativity), and in light of the copyright
21 and patent laws (which were), we conclude that the phrase refers to the
22 producer of the tangible goods that are offered for sale, and not to the
23 author of any idea, concept, or communication embodied in those goods.

24 *Dastar*, 539 U.S. at 39. The producer of the tangible goods at issue—the physical
25 copies, not the original sound recordings—is not the Plaintiff, so when the Defendants
26 display Plaintiff's marks while using those copies, the source information conveyed by
27 those marks is false.

28 The Hot Shots Defendants inherently are misleading the public because
attendees of shows by the Defendant KJs in the venues of the Owner Defendants
logically would conclude that the Hot Shots Defendants' copies of Plaintiff's sound

1 recordings are legitimate and that the Hot Shots Defendants are authorized to display
2 Plaintiff's trademarks as part of a public performance. Since these assumptions are
3 incorrect, consumer confusion will result.

4 In the present case, Slep-Tone loses control of its goods when third parties such
5 as the Hot Shots Defendants copy them and pass them along to others. If Slep-Tone's
6 recordings have been altered or corrupted in some way during the copying process – for
7 example, by copying at low resolution to save computer memory -- consumers could be
8 led to believe that Slep-Tone has produced inferior recordings because Slep-Tone's
9 trademarks are displayed during the course of a performance.

10 The Hot Shots Defendants have engaged in "passing off" by using karaoke tracks
11 which were created by taking the "formula" for Plaintiff's sound recordings (the digital
12 representation of the recordings) and then making computer files that copy the "formula."
13 When the counterfeit computer files are used to put on a karaoke show, Defendants
14 display the Sound Choice Marks, falsely implying that Plaintiff's goods are being used.
15

16 The Hot Shots Defendants' *Dastar* argument is predicated on a false statement
17 of the issues. Defendants contend that Plaintiff's Lanham Act claim is based on likely
18 confusion of viewers and participants about whether Plaintiff is the author of the music
19 and lyrics. In fact, however, Plaintiff is seeking to impose liability for the use and public
20 performance of unauthorized counterfeit sound recordings that bear Plaintiff's
21 trademarks.

22 If Defendants had managed to strip Plaintiff's trademarks from their counterfeit
23 recordings, the public performance of those stripped recordings would not infringe the
24 copyright in the sound recording, because there is no public performance right in a non-
25 digitally transmitted sound recording. See 17 U.S.C. §§ 106 and 114 (omitting sound
26 recordings from those works eligible for public performance rights, except in the instance
27 of a "digital audio transmission" not at issue here) and *Arista Records, LLC v. Launch*
28 *Media, Inc.*, 578 F.3d 148, 150 (2d Cir. 2009).

1 The display of the trademarks is neither necessary to a copyright infringement nor
2 superfluous to a trademark infringement. It is thus an “extra element” beyond the
3 “reproduction, performance, distribution, or display” of the copyrighted work, necessary
4 to establish the Lanham Act unfair competition and trademark infringement claims with
5 which Defendants have been charged. *Stromback v. New Line Cinema*, 384 F.3d 283,
6 301 (6th Cir. 2004). See also *Craigslist, Inv. v. Autoposterpro, Inc.*, 2009 U.S. Dist.
7 LEXIS 31587, 7 (N.D. Cal. 2009) (“Plaintiff’s claim for trademark infringement, based as
8 it is on use of the CRAIGSLIST mark in domain names and email addresses, does not
9 implicate a copyright. The rights protected under trademark law are not the same rights
10 protected under the Copyright Act. “). As such, the Copyright Act cannot be said to
11 preempt the Lanham Act claims asserted in this action.

12 **F. The Lanham Act Allegations Are Sufficient To State A Claim.**

13
14 Since Plaintiff has stated claims for trademark infringement, it has likewise stated
15 claims for Lanham Act unfair competition. *Toho Co., Ltd. v. William Morrow and Co.,*
16 *Inc.* (C.D. Cal. 1998) 33 F.S.2d 1206, 1210 (citing *E & J Gallo Winery v. Gallo Cattle Co.*
17 (9th Cir. 1992) 967 F.2d 1280, 1288, n. 2. (“When trademark and unfair competition
18 claims are based on the same infringing conduct, courts apply the same analysis to both
19 claims.”)

20 **III. CONCLUSION**

21
22 For the reasons stated above, Plaintiff respectfully requests that the Court deny
23 the PT’s Defendants’ motion to dismiss. Alternatively, if the Court grants the motion,
24 Plaintiff requests leave to amend. Where a more carefully drafted complaint might state

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26 ///

27 ///

1 a claim, a plaintiff must be given at least one more chance to amend the complaint
2 before the district court dismisses the action with prejudice. *Silva v. Bieluch* (11th Cir.
3 2003) 351 F3d 1045, 1048; Fed.R.Civ.P. 15(a).

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Dated: May 10, 2012

BORIS & ASSOCIATES

By: _____ /s/ _____

Donna Boris *Pro Hac Vice* Cal. State Bar # 153033

donna@borislaw.com

Attorneys for Plaintiff

Slep-Tone Entertainment Corporation

Dated: May 10, 2012

LAW OFFICES OF KERRY FAUGHNAN

By: _____ /s/ _____

Kerry Faughnan

kerry.faughnan@gmail.com

Attorneys for Plaintiff

Slep-Tone Entertainment Corporation

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CERTIFICATE OF SERVICE

I hereby certify that on May 10th, 2012, I served the foregoing **PLAINTIFF SLEP-TONE ENTERTAINMENT CORPORATION'S MEMORANDUM OF POINTS AND AUTHORITIES IN OPPOSITION TO MOTION TO DISMISS BY HOT SHOTS BAR AND GRILL, THE PUB, LLC, JOE, DAN, DECATUR RESTAURANT & TAVERN, DDRT, LLC, STARMAKER KARAOKE, DEBBIE HARMS** via the Court's CM/ECF filing system to all counsel of record and parties listed.

/s/

Donna Boris